

FOMC Meeting Minutes—December 18-19

## “All we need is just a little patience”

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**Bottom Line:** The minutes confirm more recent commentary that policy is likely on pause for a while and will be highly influenced by the economic data and evolution of key risks, notably those affecting financial markets and global growth. (Front-and-centre, of course, is how U.S.-China trade policies unfold.) While “some further gradual increases” in policy rates are expected, a more nimble Fed is ready to respond quickly in either direction depending on which way the wind blows.



While the FOMC voted unanimously to raise rates for a fifth consecutive quarter in December, a “few” members favoured no move. “Many” officials echoed Powell’s more recent comments that the Fed “could afford to be patient about further policy firming” given subdued inflation. The adding of the modifier “some” to describe further gradual rate hikes in the policy statement was meant to reinforce the view that “a relatively limited amount of additional tightening would likely be appropriate”. Tighter financial conditions and concerns about global growth added uncertainty to both the “appropriate extend and timing of future policy firming”. A “number” of officials said the FOMC should assess the impact of these risks before hiking again. While agreeing that the risks were “roughly balanced”, “some” members said that “downside risks may have increased of late.” “Some” officials said it was possible to slow QT when approaching the long-run level of reserves. (The Fed is currently allowing \$50 billion of securities to mature each month, or \$600 billion per year.) Powell also raised the possibility of slowing QT if necessary.

We still look for two more rate increases this year, in May and September, and a final move next year—echoing the median FOMC forecaster—but it’s fair to say that Fed officials believe we are much closer to the end than the beginning of the tightening cycle.

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